

NATIONAL TEXTILE AND APPAREL TEAM JULY NEWSLETTER, 2003

U.S. Joins International Trademark Filing System: U.S. companies will soon have a new option for registering their trademarks overseas, using an international filing system that will cost significantly less than the present country-by-country method. An agreement has been made that the U.S. may join the Madrid Protocol, an international treaty that facilitates procuring and maintaining international registrations in the participating countries through a centralized and cost-effective system. The Madrid Protocol is administered by the World Intellectual Property Organization (WIPO) in the U.N. and has a total of 57 countries that are currently members. The Protocol will allow U.S. applicants to file a single international trademark application that designates the member countries where trademark registration is sought. U.S. participation in the Madrid Protocol will start no sooner than November 2, 2003. If no substantive registrability issues arise, a trademark owner may save several thousand dollars by acquiring an international registration that covers several countries, rather than obtaining separate national registrations. For more information, contact your local USEAC.

AES Filing for Shippers Export Declarations (SEDs): The Automated Export System (AES) is a joint venture between the U.S. Customs Service, the Foreign Trade Division of the Bureau of the Census (Commerce), the Bureau of Industry and Security (Commerce), the Office of Defense Trade Controls (State), other Federal agencies, and the export trade community. It is the central point through which export shipment data required by multiple agencies is filed electronically to Customs, using the efficiencies of Electronic Data Interchange (EDI). AES provides an alternative to filing paper Shipper's Export Declarations (SED's). Census expects to implement in mid-2004 mandatory AES filing for all exports that require SED information. For more information, visit www.customs.gov/xp/cgov/export/aes/about.xml.

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For Information on Desk Studies (DSs), Definitional Missions (DMs), and Feasibility Studies (FSs) from The Trade Development Agency (TDA) visit the pipeline at <http://www.tda.gov/pipeline/index.html>.

EXPORT CREDIT INSURANCE- WHAT'S NEW

By: Bill Dunn, Export Financial Services

New uses of credit insurance have begun to replace the traditional purpose of risk mitigation. Credit managers have looked upon insurance sometimes as a last resort means of covering the risk of payment for their company's export sales. Government programs offered through the Export-Import Bank of the United States and supplemented by numerous state sponsored facilities have in the past been the sole source of credit insurance. Government policy, a domestic sales focus and corporate practices have sustained the narrow application of a product not commonly used in the United States.

The now active participation of private underwriters, competition from foreign companies offering open account sales terms and the increasing global outlook of U.S. companies have expanded the range of uses for an overlooked product, as follows:

1. **Expanded Sales-** Sales managers have increasingly found themselves non-competitive if they demand cash-in-advance payment terms or letters of credit from their buyers' banks. Their competitors are offering open account terms up to 180 days. A U.S. export sales manager can now access private and government credit insurance to protect their company and relieve the buyer of the need to consume their local bank credit facilities. Smart sellers will frequently build in a small additional fee to cover the premium costs plus a margin to cover the acquisition of the insurance. The U.S. company can now compete and expand its sales while protecting significant Accounts Receivable assets.

2. Financing Opportunities- Corporate

Treasurers are also recognizing the advantages of an insurance policy issued by an entity with a high public debt rating. They can use the assignment of proceeds feature of a policy to structure a financing that increases the company's domestic borrowing base or as a new source of short term funds secured by the insured Accounts Receivable. (Note: Some Treasurers are seeing a value in lower borrowing costs by expanding the insurance coverage to domestic A/R.)

Credit insurance policies are a conditional and contractual transfer of risk to a third party. Just like property and casualty coverage on hard assets, insurance is not the primary source of payment. Only the occurrence of an accident results in a claim for payment under a policy. They cannot make a bad credit good. However, the flexibility of structure now available through the private market and the continued availability of government sponsored programs along with the new needs of companies have brought about creative new uses for the traditional credit insurance product.

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HOW NAFTA CAN WORK FOR YOU

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www.nafta-customs.org

The North American Free Trade Agreement (NAFTA) provides important benefits for U.S. goods that are exported to our NAFTA partners, Canada and Mexico. If your product has sufficient North American content to qualify for NAFTA preference, your exports could be subject to a lower duty rate than non-NAFTA goods. A lower rate makes your product available at a lower price than your competitors' non-NAFTA goods, without sacrificing your profit margin.

Goods with sufficient North American content to qualify for NAFTA preferential duty rates are said to "originate" in NAFTA countries. Even if a product is produced or purchased in a NAFTA country, it might not be eligible for preferential tariff treatment because of non-NAFTA inputs in its production. Exporters must therefore analyze the composition of their products. Substantial transformation of non-NAFTA inputs usually must take place to qualify an end product under NAFTA.

If your product contains absolutely no non-NAFTA raw materials, inputs, parts, ingredients, or components, it would be considered NAFTA-originating. You may proceed directly to filling out the NAFTA Certificate of Origin, which is the customs document that claims the tariff preference.

For goods containing non-NAFTA inputs or components, exporters must analyze the product-specific Rules of Origin, in Annex 401, Chapter 4 of the NAFTA. Note that your product also meets the NAFTA test if it is made entirely with components or inputs that have already been determined to qualify as

NAFTA-originating in accordance with the Rules of Origin. You must always have adequate records relating to your product's inputs, materials, and production to claim NAFTA tariff preference.

Office of Textiles and Apparel (OTEXA)

Market Expansion Division

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OTEXA sponsors a number of trade shows, missions, and events each year. Some of the annual events include the Decosit Contract Fabric Show in Brussels, Heimtextil in Frankfurt, and Japantex in Tokyo. In the past OTEXA has sponsored trade missions to Central America, Mexico, China, and Turkey. These events are listed on the *Export Advantage* web site and are open to exporters of U.S.-made textile products. Other major textile and apparel trade shows are listed by product and by country. Contact information for each product group is provided. Export Advantage (<http://otexa.ita.doc.gov>)

What is Export Advantage? *Export Advantage* is a "one-stop" information resource for exporting U.S.-made textile and apparel products. U.S. exporters can research overseas market potential, find information on shipping requirements and procedures, identify overseas buyers, obtain basic how-to-export information, locate government and industry contacts.

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Women's wear
Budget

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Seminars/Outreach
Apparel fabrics

Rachel Alarid
Home textiles

Mary Ann West
Admin support

The Foreign Commercial Service of the United States Mission to the European Union makes every effort to assist US businesses to enter the EU market. The following addresses questions frequently asked by US companies importing textile products and garments in the EU. For additional information contact a National Textile Apparel Team Member.

What kind of quotas does the EU impose on textile imports?

Quotas currently apply to imports of textile and clothing products from the following WTO Members:

Argentina, Brazil, China, Hong Kong, Macao, South Korea, Singapore, India, Pakistan, Thailand, Indonesia, Malaysia, Peru and The Philippines. The EU allows imports, but has established a surveillance mechanism, from the following countries: Azerbaijan, Bangladesh, Cambodia, Estonia, FYROM, Kazakhstan, Kyrgyzstan, Laos, Latvia, Lithuania, Moldova, Mongolia, Nepal, Russia, Tajikistan, Turkmenistan and the United Arab Emirates. However, quotas are being eliminated on a country-by-country basis in preparation for the implementation of the Agreement on Textiles and Clothing under the WTO (see below). Sri Lanka, Ukraine, and China are three countries that have benefited recently from increased market access to the EU.

Agreement on Textiles and Clothing (ATC)

Within the World Trade Organization (WTO), the Agreement on Textiles and Clothing (ATC) provides for the phased application of all the GATT rules to the sector by December 31, 2004 at the latest. This means that by 2005 all the import quotas that were set up under the Multi Fibres Agreements (MFA) will be removed, and the EU market will be totally open. For more specific information, please refer to the following website: <http://www.europa.eu.int/comm/trade/pdf/tlm.pdf>

What tariffs are applied to textile exports to the EU?

The EU applies average textiles tariffs of 9%. By comparison, countries such as Argentina, Brazil, Pakistan or Thailand apply tariffs of between 20% and 25%. For India, the rate is 39%. To access a searchable database containing all applicable tariffs log on to:
http://europa.eu.int/comm/taxation_customs/dds/cgi-bin/tarchap?Lang=EN

Where can I find relevant information and legislation?

1. Import regulations and customs

Regulation 3030/93 (see <http://europa.eu.int/comm/trade/pdf/legtexta.pdf>) is the basic legislation regulating imports of textiles into the EU and contains country-specific information. Companies should be aware that the Regulation and its annexes have been amended 79 times since 1993, so in order to obtain updated annexes they should contact the Commercial Service. Regulation 2913/92 (Community Customs Code) is the basic legislation governing imports and customs for the entire European Union. Regulation 2454/93 (Implementation of the Customs Code): Companies will find in annex 10 of this Regulation important information on country of origin rules for textiles.

2. Relevant websites

European Commission Textile website:

http://www.europa.eu.int/comm/trade/goods/textile/index_en.htm. Companies may consult this website for more information on the EU's textile policy, import quotas etc.

European Commission's SIGL database (specialized in textiles): <http://sigl.cec.eu.int/query.html>. This database contains detailed information on percentages of quotas which have been used up, by country and product. For information on how much of the quota has been used up at any given moment, and a full description of textile product categories: <http://sigl.cec.eu.int/information.html>.

US Department of Commerce Office of Textiles and Apparel:

<http://otexa.ita.doc.gov/exports/default.stm> for exporter-oriented information on EU textile legislation.